
Supplementary Costing: Non-Domestic Rates Measures

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Foreword

The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of Scottish GDP, devolved tax revenues, and devolved social security spending to inform the Scottish Budget. Following the forecasts we produced for the Scottish Budget in January, this report sets out our assessment of the effect of two additional policy changes to Non-Domestic Rates. These changes were announced by the Cabinet Secretary for Finance and Local Government during the Stage 1 Budget debate.

Our forecasts represent the collective view of the Scottish Fiscal Commission, comprising the three Commissioners. We take full responsibility for the judgements that underpin them.



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24 February 2026

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Costing of changes to Non-Domestic Rates policy

Introduction

- 1 In this publication we present forecasts for the effect of two new Non-Domestic Rates (NDR) policies, which were announced by the Cabinet Secretary for Finance and Local Government on 12 February 2026 during the Stage 1 debate on the Scottish Budget.¹
- 2 We are publishing this costing in advance of Stage 3 of the Budget Bill debate, which will take place on 25 February 2026, to support parliamentary scrutiny of the Scottish Budget. The changes will be implemented through regulations that will be laid at a future date.

Relevant measures announced in 2026-27 Scottish Budget

- 3 The Scottish Government included several NDR measures in the 2026-27 Scottish Budget. We provided costings for these measures in Annex A of our January 2026 publication of Scotland's Economic and Fiscal Forecasts.²
- 4 There is a 15 per cent relief for mainland retail, hospitality, and leisure (RHL) properties that are liable for the Basic or the Intermediate Property Rate (that is, with a rateable value of at most £100,000). Across both this relief and a 100 per cent relief for RHL properties on islands and specified remote areas, each business will only be eligible to receive up to £110,000 in relief per year.
- 5 There is also a Revaluation Transitional Relief (RTR), which applies a cap to the percentage increase in a property's gross bill resulting from the 2026 revaluation, with all properties that would otherwise see an increase above the cap being eligible.
- 6 Both these measures apply until 31 March 2029, which covers all three years that the 2026 roll will be in force.

New policies

- 7 On 12 February 2026, the Scottish Government announced changes to these measures. Both of these changes will apply until 31 March 2029, like the measures that they amend.

¹ Scottish Parliament (2026) [Official Report: Meeting of the Parliament, Thursday, February 12, 2026](#).

² Scottish Fiscal Commission (2026) [Scotland's Economic and Fiscal Forecasts – January 2026](#). This section does not contain a comprehensive list of all reliefs introduced or confirmed in the 2026-27 Scottish Budget.

- 8 There will be an extra relief of 25 per cent for licensed hospitality premises and music venues (including pubs, restaurants, hotels, night clubs, and licensed clubs) with a rateable value up to and including £100,000. This is in addition to the 15 per cent mainland RHL relief, which means the total RHL relief for eligible licensed hospitality premises and music venues will be 40 per cent. Across this relief and the existing RHL reliefs, the maximum that can be awarded to each business will remain £110,000 per year.
- 9 There will also be a specific Revaluation Transitional Relief (RTR) for self-catering holiday accommodation with a short-term let licence. This will cap increases in gross bills at 15 per cent year-on-year, which is around a cumulative 52 per cent cap, relative to 2025-26, after three years. This relief will replace the RTR announced in the Budget for these premises. Figure 2 shows the relevant increase factors for self-catering properties and all other properties.
- 10 We use our January 2026 forecasts for NDR as the starting point for our costings, and use the same assumptions. Our forecasts are of the contributable amount of NDR.³
- 11 These two policy changes lead to a reduction in forecast NDR income of £9 million in 2026-27, growing to a £17 million reduction in 2028-29. Figure 1 summarises the change.
- 12 For both changes the cost increases over the three-year period. There are different reasons for this in each case:
- For the extra relief for licensed properties, this is largely because RTR applies (for all properties) before any other reliefs. Eligibility for RTR reduces over the three-year period, and as it does so the overall cost of the extra relief increases.
 - For the modified RTR for self-catering properties, this is a direct result of the policy that has been set. The difference between the standard RTR caps and the specific self-catering ones increases over the three-year period.
- 13 As with the measures originally announced, there is no cost associated with the measures for 2029-30 or 2030-31, when the 2029 roll will be in force.

³ The contributable amount is the NDR revenue collected by Local Authorities and contributed to the central pot.

Figure 1: Change in Non-Domestic Rates forecast since January 2026

£ million	2026-27	2027-28	2028-29	2029-30	2030-31
January 2026 forecast	3,387	3,396	3,464	3,867	3,811
Extra 25 per cent RHL relief for licensed premises	-8	-10	-14	0	0
Modified RTR for self-catering properties	-1	-1	-3	0	0
February 2026 forecast	3,379	3,384	3,447	3,867	3,811
Total change	-9	-12	-17	0	0

Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2026) [Scotland's Economic and Fiscal Forecasts – January 2026](#).

This is the effect of introducing the new policy, including the consequential effect on other reliefs. For example, the extra RHL relief reduces the net increase in bills for some properties, which reduces the cost of Small Business Transitional Relief.

Figures may not sum because of rounding.

Figure 2: Maximum increase factors for RTR

Post-revaluation rateable value	2026-27	2027-28	2028-29
Self-catering properties			
All rateable values	1.15	1.323	1.521
All other properties			
Up to £20,000	1.15	1.403	1.936
£20,001 to £100,000	1.3	1.872	3.276
Over £100,000	1.5	2.625	5.591

Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2026) [Scotland's Economic and Fiscal Forecasts – January 2026](#).

These factors are the cumulative factors which will apply to gross bills relative to 2025-26, not the caps that apply year-on-year.

Additional information

Abbreviations

GDP	Gross domestic product
NDR	Non-Domestic Rates
OECD	Organisation for Economic Co-operation and Development
RHL	Retail, hospitality, and leisure
RTR	Revaluation Transitional Relief
SFC	Scottish Fiscal Commission
UK	United Kingdom

A full glossary of terms is available on our website: [Glossary | Scottish Fiscal Commission](#).

Professional standards

The Scottish Fiscal Commission (SFC) is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the Organisation for Economic Co-operation and Development (OECD).⁴

The SFC also seeks to adhere to the highest possible standards for analysis. While we do not produce official statistics, we voluntarily apply as far as possible the UK Statistics Authority's Code of Practice for Statistics. Further details and our statement of voluntary application can be found on our website.⁵

Correspondence and enquiries

We welcome comments from users about the content and format of our publications. If you have any feedback or general enquiries about this publication or the SFC, please contact info@FiscalCommission.scot. Press enquiries should be sent to press@FiscalCommission.scot.

All charts and tables in this publication have also been made available in spreadsheet form on our website. For technical enquiries about the analysis and data presented in this paper please contact the responsible analyst:

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⁴ OECD (2014) [Recommendation of the Council on Principles for Independent Fiscal Institutions](#).

⁵ Scottish Fiscal Commission (2025) [Statement of Voluntary Application of the Code of Practice for Statistics and Error Policy](#).

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